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Item 10 of the agenda

PROGRAMME AND BUDGETS, 1992-1993

Computerization programme of UNIDO

Progress report by the Director-General

Addendum

Summary

Provides further information on the total costs of the computerization programme of UNIDO and amends the draft conclusion contained in annex II of document IDB.8/50/Add.1-PBC.7/19/Add.1.

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Introduction

1. The present document provides further clarification on the electronic data-processing (EDP) programme with regard to payments already made, current and future contractual obligations and the estimated total cost of the programme up to 1995. It also corrects some rounding adjustments in the estimates contained in the revised draft conclusion in annex II of IDB.8/50/Add.1-PBC.7/19/Add.1. The corrected version is attached as an annex to the present document.

I. OVERVIEW OF COSTS

2. The table below provides an overview of the costs of the EDP programme based on three scenarios: the original programme as presented in document IDB.7/31; the proposal as recommended by the consultants and presented in documents PBC.7/CRP.13, Add.1 and Add.2; and the revised cost estimates of the programme reflecting negotiations with the main supplier as contained in IDB.8/50/Add.1-PBC.7/19/Add.1.

3. As shown in the following table, expenditures on the EDP programme, excluding established posts, are expected under all three scenarios to amount to $19.84 million for the period 1989 to the end of 1991. The remaining costs for the period 1992-1995 would have amounted to close on $27.2 million for the original programme and to $23.8 million for the consultants' projected expenditures. Renegotiations with the main supplier, however, have revealed further potential cost reductions. Together with other adjustments in both staff and non-staff costs, these changes would result in remaining programme costs

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Comparison of EDP costs based on three scenarios

(In millions of dollars at an exchange rate of US$1.00 = AS 12.90)

	Original programme a/	Consultants' proposal b/	Revised programme c/
Non-staff expenditures			
1989-1991	19.84	19.84	19.84
Costs 1992-1993			
Additional staff costs	1.65	1.96	1.13 d/
Non-staff costs	11.58	10.07	8.34
Subtotal	13.23	12.03	9.47
Costs 1994-1995			
Additional staff costs	1.65	2.08	1.35 d/
Non-staff costs	9.16	9.69	9.61 e/
Subtotal	10.81	11.77	10.96
Subtotal	43.88	43.64	40.27
Established posts f/			
1992-1993	2.85	2.85	2.85
1994-1995	2.85	2.85	2.85
Additional costs estimated by consultants	3.22 g/	-	-
TOTAL	52.80	49.34	45.97

a/ IDB.7/31, table 5.

b/ PBC.7/CRP.13/Add.1.

c/ Incorporates results of negotiations with the main supplier as described in IDB.8/50/Add.1-PBC.7/19/Add.1 and paras. 4 to 6 below.

d/ Does not include a D-1 post which will be redeployed to the Management Information Systems Division at a later juncture, the biennial cost for which is $226,800.

e/ Depending on UNIDO's ability to exercise its buy-out option in 1994, this figure could be reduced by $470,000.

f/ These costs have been included pursuant to decision IDB.8/Dec.35.

g/ PBC.7/CRP.13, para. 9.1.

of $20.43 million. To these amounts should be added the costs of established posts ($5.7 million) which, prior to the adoption of decision IDB.8/Dec.35, had been excluded from the costing exercise.

II. BIENNIUM 1992-1993

4. For the biennium 1992-1993, the consultants believed that the non-staff costs could be reduced to $10.07 million from $11.58 million originally estimated. As explained in document IDB.8/50/Add.1-PBC.7/19/Add.1, the consultants' estimate included $5.8 million for contracts with the main supplier relating to mainframe operations, hardware, software, operations and maintenance. Those contracts have since been renegotiated with the main supplier for a total cost of $4.67 million. Subject to the acceptance of the revised programme, the renegotiated contracts would yield a potential cost reduction for 1992-1993 of $1.13 million compared to the consultants' estimates. When taking into account all expenditures envisaged under non-staff costs, the revised estimates are lower by $1.73 million when compared to the programme proposed by the consultants. This difference of $1.73 million can be accounted for as follows:

	$ million	
Consultants' proposal: Non-staff costs		10.07
Adjustments		
Renegotiation of contracts with main supplier	(1.13)	
Rephasing of consultants, external support and networking costs	(0.27)	
Income estimates	(0.34)	
Training and supplies	0.01	
Subtotal		(1.73)
Revised programme: Non-staff costs for 1992-1993		8.34

5. The modifications negotiated with the main supplier relate to: the termination of the licence agreement for some IBM software at the end of December 1991; rescheduling and downward adjustment of monthly payments pertaining to the agreement on systems integration; a new mix of software for the mainframe; a reduction in the scope of services to be provided under facilities management; and the merger of the contract relating to the systems service agreement with the facilities management contract.

III. BIENNIUM 1994-1995

6. The same negotiations with the main supplier will also have an impact on the biennium 1994-1995, primarily in the area of the mainframe and its operating software. The extent of the impact will depend on whether UNIDO decides to continue the lease or exercise its buy-out option for the existing mainframe. Furthermore, as mentioned in paragraph 6 of document IDB.8/50/Add.1-PBC.7/19/Add.1, the possibility exists of realizing further cost reductions through the process of competitive bidding and negotiations with all suppliers.

7. In both bienniums, the consultants recommended the establishment of additional posts to support the EDP programme. The Secretariat adopted that recommendation, but took a different approach. Instead of establishing new posts (4 P-2s and 1 D-1), it decided to assign staff in the end-user Departments to carry out EDP-related tasks as well as to redeploy, at a later juncture, a vacant D-1 post. This accounts for the difference between the additional staff costs recommended by the consultants and those described by the Secretariat in the revised programme.

8. Despite the inherent difficulties associated with forecasting the price of services, hardware and software that are likely to prevail in the biennium after next, the Secretariat, supported by expert advice, is confident that the renegotiated package offers a viable basis on which to proceed. It should be regarded as an expenditure ceiling for an effective computerization programme.

IV. CORRECTED DRAFT CONCLUSION

9. Should the Programme and Budget Committee accept the modifications, it may wish to consider the corrected draft conclusion contained in the annex to the present document on the understanding that the Secretariat would make the necessary consequential changes in the revised budget for submission to the General Conference.

Annex

CORRECTED DRAFT CONCLUSION

The Programme and Budget Committee, having considered the revised proposals of the Director-General for the programme and budgets, 1992-1993 (IDB.8/8/Rev.2-PBC.7/10/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1), recommends to the Industrial Development Board the adoption of the following draft decision:

The Industrial Development Board:

(a) Examined the proposals of the Director-General for the programme and budgets, 1992-1993 (IDB.8/8/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1) together with the recommendations of the Programme and Budget Committee (PBC conclusion ....);

(b) Decides to adopt for submission to the General Conference for consideration and approval the proposed programme of work and corresponding estimates for the activities to be financed from the regular and operational budgets, 1992-1993 contained in document IDB.8/8/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1;

(c) Recommends to the General Conference that it appropriate on the basis of an exchange rate of US$1 = AS 12.90 a total amount of $178,440,300 for the regular budget of the Organization in 1992-1993 as follows:

	US dollars
Policy-making Organs	2,543,000
General Management	6,001,100
Programme and Project Development	32,386,900
Industrial Promotion, Consultations and Technology	16,895,400
Industrial Operations	34,569,700
Common Programmes	15,631,800
External Relations, Public Information, Language and Documentation Services	23,206,400
Administration	47,206,000
TOTAL GROSS APPROPRIATIONS	178,440,300 1/

the amounts in the appropriations to be adjusted in accordance with the adjustment formula presented at the end of the present decision, to take into account the exchange rate variations during the biennium;

(d) Recommends that the vacancy factor for Professional posts be adjusted and the appropriations revised accordingly in the event that any State announces its intention to join the Organization and is included in the scale of assessments for the fiscal period 1992-1993 adopted by the General Conference;

(e) Recommends that the foregoing appropriations be financed from:

(i) Payments of contributions by Member States, under the provision of financial regulation 5.5 (e), amounting to $176,689,700 at an exchange rate of US$1 = AS 12.90 ($19,435,900 plus the equivalent in US dollars of AS 2,028,574,020), in accordance with decisions to be adopted by the General Conference at its fourth session concerning the scale of assessments; and

(ii) Estimated miscellaneous income amounting to $1,750,600 at an exchange rate of US$1 = AS 12.90 (representing $1,325,400 plus the equivalent in US dollars of AS 5,485,080);

(f) Also recommends to the General Conference that it approve estimates of expenditure totalling $50,795,900 (calculated at the exchange rate of US$1 = AS 12.90) for the purpose of the operational budget for the biennium 1992-1993 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations.

1/ Assumes ratio of expenditures of 11 per cent in United States dollars and 89 per cent in Austrian schillings at an exchange rate of US$1 = AS 12.90, in accordance with financial regulation 5.1 (d). This ratio will also be applied to the appropriation for technical co-operation.

Budgetary estimates may be subject to revision owing to changes in inflation assumptions.

Adjustment formula in US dollars

	US$		AS	
Policy-making Organs	443,000	+ (	27,090,000	/R)
General Management	746,000	+ (	67,491,500	/R)
Programme and Project Development	3,841,100	+ (	368,198,810	/R)
Industrial Promotion, Consultations and Technology	2,395,100	+ (	186,632,010	/R)
Industrial Operations	3,714,900	+ (	398,120,010	/R)
Common Programmes	2,538,200	+ (	168,575,320	/R)
External Relations, Public Information, Language and Documentation Services	2,335,200	+ (	267,118,900	/R)
Administration	3,422,400	+ (	545,347,470	/R)
TOTAL NET APPROPRIATIONS	19,435,900	+ (	2,028,574,020	/R)

Note: R is the average United Nations exchange rate for Austrian schilling to US dollar, which will be experienced during 1992-1993.